

Message Text

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ACTION EUR-12

INFO OCT-01 IO-15 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
H-02 PA-02 CIAE-00 COME-00 FRB-01 INR-10 NSAE-00
XMB-04 OPIC-06 LAB-04 SIL-01 ABF-01 /126 W
-----027647 301045Z /10

R 280730Z SEP 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 6976
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

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USMTN ALSO FOR MISSION
USOECN ALSO FOR EMBASSY
PASS TREAS FRB
EO 11652: NA
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK SEPT 18-22
1. SUMMARY: DOLLAR UNDER PRESSURE MOST OF
REPORTING WEEK, HIT RECORD LOW OF SF 1.5130 IN
THURS TRADING, DOWN FROM MON HIGH AT OPENING OF
SF 1.6010. GOLD AT RECORD HIGH IN CLOSE LINKAGE
WITH DOLLAR TRADING. CAPITAL MARKET STILL LIQUID
BUT SKA STOCK INDEX DOWN. HONEGGER WARNS AGAINST
TOO GREAT EXPECTATIONS FROM FEDERAL MEASURES TO
ASSIST ECONOMY. HIGHLIGHTS FROM AUG SNB MONTHLY
REPORT. END SUMMARY
2. FOREX GOLD: DOLLAR UNDER HEAVY PRESSURE
THROUGHOUT WEEK IN HECTIC AND NERVOUS TRADING.
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DOLLAR FELL FROM WEEK HIGH OF SF 1.6010 AT MON
(SEPT 18) OPENING TO HISTORIC NEW LOW OF SF 1.5130
DURING TRADING THURS. FRI TRADING SHOWED SLIGHT
STRENGTHENING OF DOLLAR. DM ALSO FELL TEMPORARILY
TO RECORD NEW LOW OF SF 77.50 PER 100 DM. FROM
PRESS REPORTS THE PRINCIPAL FACTORS INFLUENCING
MARKET WERE CRITICAL REACTIONS OF SAUDI ARABIA

AND JORDAN TO CAMP DAVID AGREEMENTS. ACCORDING TO THE FINANCIAL PRESS, THE MARKETS TENDED TO FOCUS MUCH MORE ON THIS NEWS THAN THE IMPROVEMENT IN US CURRENT ACCOUNT DEFICIT FOR SECOND QUARTER OR TO INCREASES IN US INTEREST RATES. GOLD OPENED MON AT \$208.75, \$3.75 LOWER THAN PREVIOUS FRI'S CLOSE, BUT ROSE TO A NEW ZURICH RECORD OF \$217 PER OUNCE LATER IN WEEK. SLIGHTLY LOWER GOLD PRICES DEVELOPED FRI AS DOLLAR IMPROVED. CLOSE DOLLAR/GOLD LINKAGE EVIDENT DOLLAR/GOLD LINKAGE EVIDENT THROUGHOUT REPORTING WEEK. RATES FOLLOW:

9/18 (OPEN) 9/22 (CLOSE)

SPOT DOLLAR 1.6010 1.5220

FORWARD DISCOUNTS

(PCT PER ANNUM)

1 MONTH 9.11 8.83

2 MONTHS 8.70 8.99

3 MONTHS 8.56 8.70

6 MONTHS 8.16 8.41

12 MONTHS 7.74 7.96

SF/DM 80.15 77.92

GOLD 208.75 214.50

CAPITAL MONEY MARKETS: AVERAGE YIELD CONFEDERATION BONDS WITH AT LEAST 5 YEARS REMAINING TO MATURITY CLOSED AT 2.36, UNCHANGED FROM PREVIOUS UNCLASSIFIED

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WEEK. 3-MONTH EUROFRANC RATE: 3/8 PCT; 12 MONTHS : ONE (1) PCT. SWISS CREDIT BANK STOCK INDEX AT 250.0, DOWN 8.3 POINTS FROM PREVIOUS WEEK. DESPITE THE VERY LIQUID CONDITIONS IN CAPITAL MARKET, WHICH HAVE BEEN PRIME REASON GIVEN FOR FAVORABLE TREND IN SWISS STOCK MARKET IN RECENT WEEKS, THE FINANCIAL PRESS NOTED THAT THE STOCK MARKET WAS PUSHED DOWN THIS WEEK BY THE TREATMENT OF THE DOLLAR ON THE EXCHANGE MARKETS.

4. ECONOMICS DEPT DIRECTOR WARNS AGAINST GREAT EXPECTATIONS FROM FEDERAL MEASURES TO AID ECONOMY: SPEAKING BEFORE THE SWISS BANKERS ASSN ANNUAL MEETING, ECON DEPT DIR HONEGGER CAUTIONED AGAINST TOO MUCH HOPE BEING PLACED IN FEDERAL MEASURES TO IMPROVE CURRENT ECONOMIC AND INTL MONETARY PROBLEMS. HE SAID THAT THE FEDERAL GOVT AND THE SWISS NATL BANK WOULD ANNOUNCE CERTAIN MEASURES MID-OCT BUT SAID THAT THERE SHOULD BE NO EXPECTATIONS OF MAJOR ECONOMIC STIMULATIVE OR EMPLOYMENT PROGRAMS. REPEATING A POLICY TONE STATED FREQUENTLY IN PAST WEEKS, HONEGGER SAID RECOURSE TO PROTECTIONIST MEASURES TO AID SWISS

EXPORTS INDUSTRY CARRY FAR GREATER DISADVANTAGES
THAN ANY POSSIBLE NEAR TERM BENEFITS.

5. MONTHLY REPORT OF SWISS NATL BANK: FOLLOWING
ARE MAIN POINTS IN LATEST MONTHLY REPORT OF SNB
ACCORDING TO PRE-PUBLICATION PRESS COVERAGE:
THROUGH END OF JULY M-1 EXPANDED 13.8 PCT, DOWN
CONSIDERABLY FROM THE 15.9 PCT RECORDED AT END
OF JUNE AND 16.7 PCT AT THE END OF MAY. NET
FOREIGN POSITION OF THE SWISS BANKING SYSTEM
INCREASED BY SF 1.9 BILLION DURING THE SECOND
QUARTER OF 1978 TO SF 26.9 BILLION. DOMESTIC
CREDIT EXTENSION BY THE PRINCIPAL REPORTING BANKS
INCREASED AS OF END JULY 6.8 PCT OVER THE SAME
MONTH 1977. THIS COMPARES WITH 6.6 PCT AT THE
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END OF JUNE. WARNER

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